

**REQUEST FOR MAYORAL DECISION – MD1348**

**Title: Olympic Precept Funding Agreement with DCMS**

**Executive Summary:**

The GLA has been raising a £20 band D council tax precept specifically for the Olympic and Paralympic Games since 2006-07 as part of its £625 million council tax contribution to the Public Sector Funding Package for the Games. The Mayor is asked to approve payments totalling £150.347 million which remain to be paid to the Department of Culture, Media and Sport (DCMS) over the three years 2014-15, 2015-16 and 2016-17.

**Decision:**

That the Mayor approves payment of £150.347 million over the three years 2014-15, 2015-16 and 2016-17 to the Department of Culture, Media and Sport which remains outstanding from the GLA's £625 million council tax contribution towards the Olympic and Paralympic Games. The payment is subject to the GLA's receipt of the Olympic precept from London boroughs.

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**

**Date:**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The GLA has been raising a £20 Band D council tax precept as its contribution towards the costs of the Olympic and Paralympic Games since 2006-07. A total of £625 million is being raised and this is expected to be completed in 2016-17. An annual or bi-annual funding agreement has been in place with the Olympic Delivery Authority (ODA) to whom the precept has been paid to date. These were drawn up in consultation with the DCMS as ODA's sponsoring department and a fellow funder.
- 1.2 A total of £408.6 million of the Games precept has been paid to the ODA up to the end of the 2013-14 financial year. In addition the GLA has applied £66.053 million of the precept towards the costs of the City Operations programme, delivery of which was completed in 2012-13, as the Government agreed these could be met from the Public Sector Funding Package (PSFP) for the Games. This leaves a total of £150.347 million remaining to be raised from council tax over the three years 2014-15 to 2016-17 to satisfy the GLA's obligation to raise £625 million as part of the PSFP.
- 1.3 The ODA is completing its retrofit of the Olympic Village (Village) and closing out its remaining commercial contracts and is expected to be wound up by the end of 2014. It requires no funding from the GLA in 2014-15 and the GLA will therefore pay all remaining precept to DCMS (as set out in the London Settlement) who have forward funded ODA's operations in lieu of the total Games precept being raised and who will become ODA's successor body.
- 1.4 The GLA is budgeting to pay £61.0 million to DCMS in both 2014-15 and 2015-16 and the final £28.347 million in 2016-17. The attached draft agreement sets out these details and the GLA's share of receipts from the sale of the Village.

#### **2. Objectives and expected outcomes**

By fixing the amounts and timing of the final instalments for each of the next three financial years there is certainty for budgeting and financial planning for both the GLA and DCMS. The agreement also confirms that the GLA will receive £30million from the sale of the Village which has previously only been an estimated amount.

#### **3. Other considerations**

- 3.1 The total amount to be paid to DCMS in 2014-15 will be £61.0 million. This includes an estimated £52.722 million which is the direct product of a band D precept, plus £8.278 million via council tax support grant. This distinction arises because of the financial regime that has applied to the funding of local government and the GLA since 2013-14. That part of the Mayor's precept revenue that was previously (up to 2012-13) funded by council tax benefit subsidy paid to London boroughs by the Government is now funded by a council tax support grant to the GLA from Government.
- 3.2 The GLA will levy a further £20 band D precept in 2015-16 (paying £61.0 million to DCMS including Government support for council tax) and a final Olympic precept in 2016-17 estimated at between £8 and £9 at band D (paying £28.347 million including Government support for council tax) to ensure the £625 million is completed that year.
- 3.3 In ODD27 the Mayor authorised the ODA to proceed to conclude a sale agreement for the disposal of the Village. The net proceeds will be payable to DCMS who will ensure that this is distributed appropriately to PSFP funding bodies, including the GLA and the National Lottery. On a proportionate basis the GLA is entitled to a 9.41 per cent share of the net proceeds, this being derived from the £625 million council tax plus the £250 million paid by the London Development Agency, towards the £9.3 billion PSFP. At the time of the 2010 Spending Review this was estimated

would lead to a £30 million GLA share. Since then the costs of the Village retrofit have risen and DCMS expect this will reduce the total net receipt by between £60 million and £80 million. This would therefore reduce the GLA's share by between £5.6 million and £7.5 million if the 9.41 per cent share was applied.

- 3.4 The sale of the Village is expected to conclude by the end of July and the GLA's share will be received shortly afterwards. Although Ministerial correspondence with the Mayor has made reference to the GLA receiving a share of the net proceeds from the sale of the Village, no commitment has been given to paying a share of any overage that might be payable under the terms of the Village sale agreement. Overage was originally estimated could be up to £90 million in total, but this amount is not certain and would be dependent on future longer term development. The GLA proportionate share of any overage payable in future could therefore be up to £8 million. However, DCMS is prepared to pay the GLA £30 million from the Village net sale proceeds in line with the original cost estimates for the retrofit. This would be in place of a lower amount derived from a proportionate share based on up to date costs, but there would be no entitlement to a share of any future overage. The agreement therefore reflects the certainty of a higher amount now in place of overage in future that is uncertain in both amount and timescale.
- 3.5 The GLA will pay DCMS in March of each financial year, but will receive council tax from boroughs and council tax support from Government in instalments through the year so will also benefit from these positive cashflows.

#### **4. Financial comments**

Financial comments are integral to the body of the report.

#### **5. Legal comments**

- 5.1 The approval of the payment to DCMS continues to be authorised by section 34 of the London Olympic Games and Paralympic Games Act 2006, which allowed the GLA to do anything for a purpose connected with preparing for or managing the London Olympics and was the legal basis under which the original funding arrangements for the Games between Government, the GLA and other funding bodies were concluded.
- 5.2 A funding agreement has been prepared, and officers must ensure that it is put in place.

#### **6 Investment & Performance Board**

This decision does not require additional consideration by the Investment & Performance Board as the amount payable to DCMS is a specific item within the Mayor's component budget and its financial plans on which the Board has been consulted.

#### **7. Planned delivery approach and next steps**

Group Finance will be the GLA lead team and liaise as necessary with DCMS over the receipt of proceeds from the sale of the Olympic Village and manage precept cashflows as part of the day to day treasury management operations. The Olympic precept will continue to be a separate element within the Mayor's component budget in 2015-16 and 2016-17. The final 2016-17 band D amount will be set as part of the formal budget setting process in February 2016 at the required level to complete the raising of £625 million funding for the Games.

<b>Activity</b>	<b>Timeline</b>
Agreement signed by GLA and DCMS	May 2014
Receipt from disposal of Olympic Village	July 2014
2014-15 precept payment to DCMS	March 2015
Setting of final band D Olympic precept for 2016-17	February 2016
2015-16 precept payment to DCMS	March 2016
2016-17 final precept payment to DCMS	March 2017

### **Appendices and supporting papers:**

Annex 1: Draft funding agreement for 2014-15, 2015-16 & 2016-17 between GLA and DCMS.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (the "Act") and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:****Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

In particular, section 43 of the FOI Act allows the exemption from publication of information, the disclosure of which would be likely to prejudice the commercial interests of any person (including the public authority holding it). The section 43 exemption is a qualified exemption and its valid use is therefore subject to a public interest assessment. On balance it is considered that the public interest is best served if this decision paper is not disclosed at this point. Disclosure by the GLA may impact the opportunity to secure best value on the sale of the Olympic Village.

For the reasons given above, the public interest in not publishing the information until the date stated below may be viewed as outweighing the public interest in publishing the information immediately.

Until what date: **30 December 2014**

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form –NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Ray Smith has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

David Gallie has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Ed Lister has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**